

SEP 04 1990

CERTIFIED MAIL

Dear Applicant:

We have completed our review of your application for recognition of exemption from federal income tax under section 501(c)(6) of the Internal Revenue Code.

The evidence submitted indicates that you were incorporated in [REDACTED] to engage in and to do any lawful act concerning any or all lawful business to be conducted on a not for profit basis in accordance with the corporation not for profit Code.

Your activities, as stated in your application is to conduct an advertising cooperative for television advertising benefiting the members of the [REDACTED]. The activity is conducted by the three members of the cooperative, the [REDACTED], [REDACTED] and [REDACTED] who pay fees to an advertising firm for local television advertisements.

Membership in the organization shall consist of any person, partnership, association or corporation holding a selling agreement as an authorized [REDACTED] dealer who has entered into an agreement to contribute to your organization. Any member of this organization shall forfeit membership in the event the member shall cease to be an enfranchised [REDACTED] dealer. Membership in a dealer association is required of each dealer of [REDACTED].

Income of the organization is derived from funds received from [REDACTED] for special fleet allowance advertising. Expenses are for advertising and incidental legal, accounting and tax services.

Section 501(c)(6) of the Internal Revenue Code provides for the exemption from federal income tax of business leagues, chambers of commerce, real estate boards, boards of trade and professional football leagues (whether or not administering a pension fund for football players), which are not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Code	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
Surname	[REDACTED]	[REDACTED]	[REDACTED]				
Date	7/25/90	7-25-90	7/24/90				


Income Tax Regulation 1.501(c)(6)-1 states that the activities of a business league "should be directed to the improvement of business conditions in one or more line of business." A business league is an association of persons having some common business interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit. It is an organization of the same general class as a chamber of commerce or board of trade. Thus, its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons. A stock or commodity exchange is not a business league, a chamber of commerce or a board of trade within the meaning of section 501(c)(6) and is not exempt from tax..."

In National Muffler Dealers Association, Inc. v. U.S. 440 U.S. 472 (1978) a trade association confined its membership to dealers franchised by a particular company and its activities to the business of the company. In this case, the court ruled that the organization was not entitled to exemption under section 501(c)(6) since its activities and membership does not serve the industry as a whole but only a segment of a line of business.

Like the organization cited above, your membership is limited to enfranchised [redacted] dealers and does not include members of the automobile industry as a whole from within the community. Under this type of operation, your organization does not meet the requirement that your activities improve conditions in one or more lines of business and your activities do not serve the automobile industry as a whole, but only a segment of a line of business.

Based on the information submitted, we have determined that you are not entitled to exempt status under section 501(c)(6) of the Code and you are a taxable entity. You are required to file federal income tax returns on Form 1120.

If you do not agree with our determination, you may request consideration of this matter by the Office of Regional Director of Appeals. To do this, you should file a written appeal as explained in the enclosed Publication 892. Your appeal should give the facts, law, and any other information to support your position. If you want a hearing, please request it when you file your appeal and you will be contacted to arrange a date. The hearing may be held at the regional office, or, if you request, at any mutually convenient district office. If you will be represented by someone who is not one of your principal officers, that person will need to file a power of attorney or tax information authorization with us.


If you do not appeal this determination within 30 days of the date of this letter, as explained in the enclosed Publication 892, this letter will become our final determination on this matter.

Sincerely yours,



District Director

Enclosure: Publication 892